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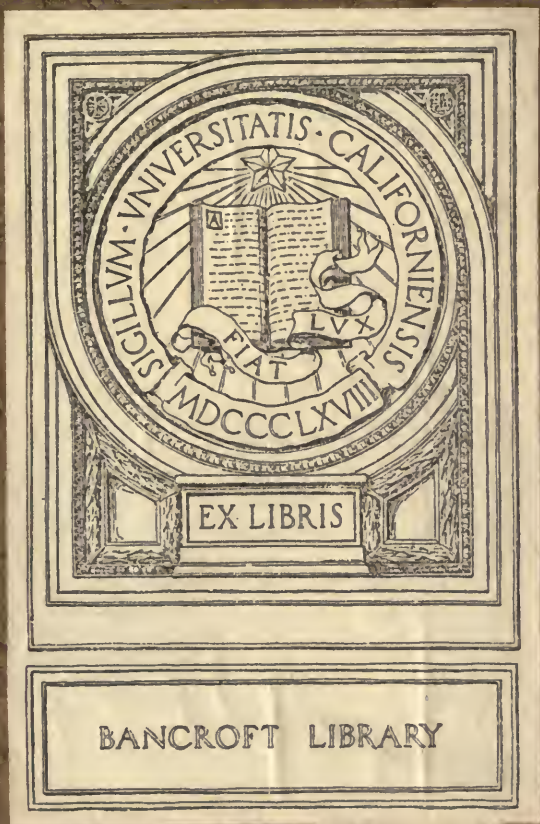
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CHAPMAN

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Failure of Central American Union

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THE AMERICAN REVIEW OF REVIEWS

EDITED BY ALBERT SHAW

*December
1922*

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THE AMERICAN REVIEW OF REVIEWS

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**A GREEK FARMER'S FAMILY OF THRACE (EUROPEAN TURKEY) ESCAPING FROM THE RETURNING
TURKISH TROOPS**

(Reports from eye-witnesses are unanimous in telling us that the flight of the old Greek population of Thrace last month to escape the ravages of Moslem soldiers was so pathetic and sensational as to stagger the imagination. In similar fashion, the Christian populations of Asia Minor have been rushing from interior points to seaports, where shipping has been wholly inadequate for transporting them to Mediterranean islands or to safe places in Europe. American relief measures are already affording appreciable aid, and before Christmas comes the volume of American assistance will have reached great proportions. This emergency stimulated the nation-wide Red Cross drive last month)

THE FAILURE OF THE CENTRAL AMERICAN UNION

BY CHARLES E. CHAPMAN

(Associate Professor of Hispanic American History in the University of California)

RUNNING from north to south, between Mexico and Panama, are the five republics of Guatemala, Salvador, Honduras, Nicaragua, and Costa Rica. All but Salvador, which occupies a strip of the Pacific coast, stretch from one ocean to the other.

Guatemala is the biggest, richest, and most populous of the five, with about 2,000,000 of the 5,000,000 inhabitants of Central America; but is a land made up largely of Indians living in a condition of peonage on the vast estates of the coffee planters. Costa Rica is at the opposite extreme, with a white population of small proprietors. In all, there are about 400,000 people in this republic. The other three Central American republics are for the most part *mestizo* (mixed Indian and white), dominated socially, politically, and economically by a white aristocracy. Along the Atlantic coast the population is negro or negroid, and the language is more often English than Spanish. Salvador is much the smallest of these states, but ranks close to Guatemala in population (about a million and a half) and wealth. Nicaragua and Honduras have each perhaps a little more than half a million people. Coffee is the principal product of the countries on the Pacific slope, and bananas on the Atlantic, but they are enormously wealthy in other resources as well.

Six Attempts at Federation

Almost a hundred years before the Pilgrim Fathers landed in New England, the Spanish conquerors had ranged this territory

and founded permanent settlements. They were grouped together in a single government, presided over by the *Audiencia* (a civil and judicial court) of Guatemala and a captain-general. In 1810 the Spanish American Wars of Independence began. There was little fighting in Central America, but on September 15, 1821, the independence of the whole region from Spain was declared. In the following year Central America joined with the Mexican Empire of Iturbide. On the dissolution of that empire in 1823, Central America cast about for a new *modus vivendi*, and in 1824 the first Federation of Central America was formed. This lasted in name until 1840. In 1838 Nicaragua withdrew, followed presently by the other countries. Since 1840 there have been at least six attempts to revive the union, all resulting in failure. The most recent of these has just come to the usual end.

Considered as an ideal there can be no objection to the unification of the five



THE FIVE REPUBLICS OF CENTRAL AMERICA—EXTENDING FROM MEXICO TO PANAMA

republics of Central America into one. Tradition favors it. An overwhelming majority opinion in Central America, irrespective of party, in a general way desires it. As one country, Central America could attain to a position in world affairs that no one of the five can ever have. Then why not unite? Or why didn't they stay united on some one of the various occasions when they have joined together?

Attitude of the United States

There are certain radical-minded Central Americans who cast the blame upon the United States, holding that our Government keeps them divided in order to manage them the more easily. This view, which flies directly in the face of history, was recently advanced to the writer by a young man who had spent the past five years as a student in California.

"You have been in the United States a long time," I said to him. "Do you seriously believe that the United States would have any trouble in dominating the whole of a united Central America if she wanted to?"

He thought a moment, and then answered frankly: "You are right! California could do it alone."

It is time to lay this silly ghost of an eighteenth century "divide and rule" policy of the United States in Central America. Nothing but good for this country could come from a successful union of the five states. Without exception, our Government has always expressed its readiness to see the union consummated, whenever the Central Americans could accomplish it among themselves. When the recent federation was broached, Dr. Leo S. Rowe, Director of the Pan-American Union, said: "It would be indefensible for the United States to oppose such a union." Secretary of State Hughes put our Government definitely on record when he stated to Doctor Zepeda (Nicaraguan Minister of Foreign Affairs) on June 2, 1921, that the United States approved the formation of a Central American Union, provided it were in accordance with the spontaneous wish and desire of the different countries and their citizens. Mr. Hughes added that recognition would depend upon the prospects of success the union should have, after it had been formed. These remarks of Mr. Rowe and Mr. Hughes should be taken as indicative of the general policy of the United States. The successful attain-

ment of a Union of Central America is a matter that is wholly in the hands of the Central Americans themselves.

Arguments, For and Against

Tradition is perhaps the strongest factor in the desire of the Central American countries for a union. In addition, they have similar problems as respects their resources and need for development; their leading political parties are usually "Liberals" and "Conservatives," with similar (if somewhat shadowy) principles in each country; frequency of revolutions (organized usually across the borders of a neighboring state) and of exile has made the leading families acquainted with one another, and has brought about much intermarriage; and there is also the (at least theoretical) possibility of a saving in administrative and military expenses through the substitution of one government for five.

But there are also arguments against forming a union which at present far outweigh those in its favor. They may be summed up as follows: real patriotism, of the sort that puts country above self, is rare in Central America. A saving in jobs and expenditures is not desired by the unduly large official class, which has hard enough time as it is to eke out an existence; indeed, lack of jobs is an all too prolific cause of revolution. The different countries, different parties, and different individuals within the same country, party, and town are filled either with jealousy or mistrust of one another. Political morality and political methods have not yet reached a stage where the inhabitants are willing to abide by a decision that is adverse to them. And communications are so scantily developed and the resources of governments so slight that revolution, even when unsuccessful, is easy and fairly safe. For these reasons it is always necessary to investigate the specific problems of each attempt at union, looking behind high-sounding programs.

It will be found that Costa Rica has been the most persistently opposed to a union, in which it could have slight weight owing to its comparatively small population. Furthermore, with a population that is largely white and with a record for good government and freedom from revolution that ranks with the best in Hispanic America, Costa Rica is somewhat skeptical of becoming involved in the maelstrom of

Central American politics. Guatemala has usually opposed the union, but for an opposite reason, being unwilling to accept an equal ranking with the other less wealthy and less populous states. And yet it was Rufino Barrios, a Guatemalan, who stood forth as the great apostle of the union in recent times. In 1885 he tried to establish it by force, but met with defeat and death at the hands of a Salvadorean army. The iniquitous Nicaraguan dictator, Zelaya, also tried to bring about union by force, in 1907, dreaming even of a vast empire under his rule that should stretch into South America; but he was unable to accomplish his design.

Opposition to Our Treaty with Nicaragua

With the approach of the one-hundredth anniversary of Central American independence (September 15, 1921), a number of ardent pro-unionists began to suggest the idea of a revival of the federation. An invitation to the other Governments was formally issued by the Republic of Salvador in December, 1920, and delegates from all five states met at San José, the capital of Costa Rica. By that time the forces of particularism had gotten in their work, and the specific issue of the conference at once manifested itself. This was the opposition of the other four republics to the relations of Nicaragua with the United States, and especially to the Chamorro-Bryan Treaty of 1914. In that treaty the United States acquired an option, for ninety-nine years, to build a canal through Nicaragua, receiving also rights to establish naval bases on Great Corn Island off the Atlantic coast of Nicaragua and in the Gulf of Fonseca on the Pacific, in case the canal should be built. The consideration paid was \$3,000,000.

The Central American countries, other than Nicaragua, have bitterly opposed this treaty, despite the assurance of the United States Government that it did not propose to take any action that should violate the sovereignty of the four complaining states. The most vociferously announced objection is that the treaty does infringe the specific rights of three of the four republics and the general rights of all. Costa Rica claims that Nicaragua went back on a promise to share with her the benefits that might come from the building of a canal. Furthermore, though it would be possible to have it entirely in Nicaragua, the San Juan River

(which it is proposed to utilize) has changed its course so that its principal mouth is now in Costa Rican territory. Salvador and Honduras claim that the Gulf of Fonseca belongs jointly to them and Nicaragua. And Guatemala gets in, because the idea of the union has never died, even though the states have separated; therefore, any special advantage accruing to one, it is claimed, ought to be shared by all.

Back of these openly announced arguments there were almost certainly the more sordid motives of jealousy over the profit Nicaragua had made out of the canal treaty, desire to share in that and in anything else Nicaragua might get out of the construction of a canal, and anti-Americanism. There seems to be no doubt but that the union movement was due in part to Mexican propaganda, started in Carranza's time, against the United States. One gets this information on all sides. The motive in this Mexican activity seems to have been a belief that the union would be a valuable ally of Mexico against the United States.

Nicaragua's Side of the Controversy

Nicaragua has been blamed by the other countries for the failure of the union, on the ground that she would not consent to a denunciation of the Chamorro-Bryan Treaty, or at least to a fresh negotiation with the United States with a view to its derogation. It is therefore no more than just to set forth Nicaragua's defense, in some detail.

In the early discussions of the congress it was agreed that the new state of Central America should fulfil the treaties made with foreign powers by each one of the five. Thereupon, Manuel Pasos, one of the two Nicaraguan delegates, asked that special mention be made of the Chamorro-Bryan Treaty. Despite pleasant-sounding speeches, it was clear that the other delegates would not consent, and presently they reached the point of denying the validity of the treaty. Señor Pasos, by this time the only remaining delegate from Nicaragua, was willing to stand upon it merely as a reservation of Nicaragua, without binding the other states to recognize it. This was acceptable to them in so far as it did not infringe "existing rights" of other states—which it was perfectly clear that the majority of the delegates interpreted to mean that the treaty was not, and never

had been, valid because it did infringe "existing rights," basing their view on two decisions of the now defunct Central American Court of Justice, decisions against which Nicaragua protested at the time and ever since. Señor Pasos then tried to have the sessions suspended, to be resumed later at Managua, the capital of Nicaragua, but nothing came of the suggestion. The situation had now reached a deadlock; so Señor Pasos left the conference, early in January, 1921. The remaining delegates proceeded to sign a pact of union for submission to their respective governments.

It was not until later in the year 1921 that the project received much attention in Washington. A meeting of a "Nicaragua Group Committee" was held on June 13, 1921, at the suggestion of Dr. Leo S. Rowe, which developed opinions that were presently embodied in a formal report, dated June 28. Referring to the advantages of Nicaragua's association since 1912 with the United States Government and the American bankers, the report went on to say:

The Government of Nicaragua feels it would be disloyal to the people of Nicaragua if it were to sacrifice those advantages by joining unconditionally any union with other states less fortunately situated. It recognizes nevertheless that there are certain important factors which lead it to the conclusion that if the interest of Nicaragua can be fully guarded, it might well be found advisable to enter such a union. . . . In consequence, it will doubtless be very glad to take up for serious consideration the question of its entrance into the union, provided it can receive assurance that the other members of the federation will be able and willing to put themselves politically and financially into the condition, either before entering the union or through plans adopted in the formation of the union, which will enable all parties to enter the union on such terms that the interests of each shall be carefully guarded and there shall be no undue sacrifice required of any one member.

After making a specific recital of the achievements of Nicaragua since 1912—substantially as set forth by the present writer in his article published in the October number of the *REVIEW OF REVIEWS*—the report concluded with a statement of results to which the other four countries should attain, before Nicaragua could consent to enter a union. In the words of the report, these results should be the following:

(a) A sound monetary system for the union or such a reorganization of the monetary system of the republics that they will work harmoniously with that of Nicaragua.

(b) A satisfactory arrangement of their foreign debts.

(c) A consolidation of their internal debts.

(d) A standardization of customs tariffs, internal revenue fiscal systems, means of communication (post-offices and telegraphs), harbors and ports, coastwise steamship service, and such changes in their political government as may be necessary to make a homogeneous governmental entity.

It should also be clearly understood, of course, that the present contracts entered into by the Republic, either in the form of treaties or contracts with private individuals, should be religiously and scrupulously carried out, backed by the whole confederation, but with Nicaragua primarily responsible.

Still more representative of the official opinion of Nicaragua are the words of President Diego Chamorro. In his inaugural address of January 1, 1921, he referred to the conference which was then going on at San José, saying: "From the beginning there has been observed the well-defined tendency among certain political elements to take the idea of union as a weapon of local partisanship." He then alluded to the attempts to invalidate Nicaragua's treaty with the United States, and concluded, saying that his Government would still put forth its efforts "so that the centenary of our independence may find us reunited under a single flag and forming a single political entity."

A year later, in December, 1921, President Chamorro issued his first annual message, nearly half of which was devoted to a recital of Nicaragua's relation to the project of union. His account of the proceedings at San José agreed with that of the official volume of the conference, which has been followed in the summary given here, but went on to tell of the "repeated attempts at subversion of the public order" since the refusal of the Nicaraguan delegates to sign the pact, all done "in the name of and under the pretext of the federation."

The Latest Attempt at Union

Throughout the other countries of Central America the press openly advocated employment of force to overthrow the existing government of Nicaragua, in order to bring that state into the union, and many Nicaraguan Liberals did all they could to stir up a revolution. Meanwhile the three northern states had accepted the compact of union, and had arranged for a meeting at Tegucigalpa, the capital of Honduras, of a Constituting Assembly, to put the new union on a working basis. Forming themselves into a so-called "Federalist League," certain Nicaraguan Liberals selected delegates to attend the meeting in Honduras,

which began on July 20, 1921. The proposal was made to receive them as the formally constituted representatives of Nicaragua, and this was done by the Assembly, although the Federal Council had previously refused to acknowledge them. The president of the Assembly went so far as to say that negotiations might be opened with the United States to bring Nicaragua into the union, but it would not be necessary to treat with the government of Nicaragua.

Outside of the sessions of the Assembly, the advisability of stirring up a revolution in Nicaragua was freely discussed, and newspapers in the different states quite as freely predicted civil war and the overthrow of the government in Nicaragua. Finally, on August 21, a body of men crossed over from Honduras into Nicaragua, and raised the standard of revolt. They were easily driven out, but later there were other similar invasions. No further attempts were made after October, 1921, but the air has been filled with tales of plotting ever since.

During the conference of San José the Costa Rican delegates and press had been enthusiastic for union. The Minister of Foreign Relations, as president of the conference, even went so far as to denounce Nicaragua for putting ahead of the union "the faith of its plighted word, as the party which is at present in power understands it." And yet, on June 22, 1921, the Costa Rican Congress rejected the pact of union. Many reasons have been assigned for this action, but the one which underlies them all was the failure of Nicaragua to come in. With Nicaragua in the union, Costa Rica might hope to force her own interpretation of the canal treaties upon her northern neighbor; without Nicaragua, the traditional objections of Costa Rica to the union far outweighed all other considerations.

Guatemala, Salvador, and Honduras ratified the pact, but it was evident from the first that the failure to get Nicaragua in had killed the union. Late in 1921 there was a successful revolution in Guatemala. The new government of President Orellana favored the union in principle, but not the one that had been worked out. So it formally withdrew. In Salvador, enthusiasm for the union was decidedly on the wane from the moment it was clear that Nicaragua could not be brought in. The position of Salvador somewhat resembled that of Costa Rica; no formal action was taken, but the union now ceased to function as respects

Salvador. Left alone, Honduras—which some say was the only sincere proponent of union—could do nothing.

*Secretary Hughes Calls a Meeting at
Washington*

As this article goes to press, arrangements are being made for a meeting of delegates from the Central American countries to be held in Washington. As announced in the newspapers, a discussion of the various problems of the five republics is contemplated, with the proviso that the consent of each delegation must be obtained before any specific matter may be considered. Almost certainly a revival of the project of union will be suggested, but assuredly Nicaragua will interpose a veto unless the questions her delegates raised at San José are first settled to her satisfaction. But if it were conceivable that such a result might be attained, then it would be more than probable that some of the other republics would veto the issue of union. In any event, whatever pronouncements may be made at Washington in favor of union, it is better to reserve judgment until the events of the next few years shall provide an answer.

Will there ever be a Union of Central America? Possibly—but there are a number of "conditions precedent." There must be a considerable betterment in the means of communication. The finances of the other four republics must be put upon something approaching the soundness of the Nicaraguan system. These matters might profitably be taken up at Washington.

And, most important of all, there must be an inculcation of real patriotism, over and above local and individual aspirations or jealousies, such that one President, one Congress, one capital, one army, and, in fine, a single government will be accepted by all. Even the recent union did not attempt to go as far as that. Instead of having one President, replacing five, it was proposed to have an executive of *ten persons*—a representative and substitute from each of the states. Salvador, Honduras, and Nicaragua have the best chance of forming a union that will last, as racially and geographically they are most nearly alike. Guatemala might remain in, but there is some question in her case. Costa Rica is not likely to be appealed to by the idea of union in itself. Only if it is distinctly and continuously to her advantage will she enter a union and stay.

THE GERMAN FINANCIAL FUTURE

BY J. LAURENCE LAUGHLIN

I

GERMANY has followed the mad course of so many other countries in excessive issues of inconvertible paper money that we are not without evidence in abundance on which to base reasonable estimates as to what must inevitably follow the break-down of her monetary system. The strange thing is that the disasters into which unrestrained leaders have precipitated their peoples by monetary errors and whose records have been writ large in financial history, should not have served as warnings to prevent Germany from stupidly copying the same futile policies. She has always prided herself on gathering facts in recondite fields of knowledge, even though her scholarship has often been vitiated and lost effectiveness by a too common disposition to speculate and offer visionary theories which have the attraction of novelty or audacity.

It is accordingly difficult to believe that Germany did not know better. If so, she has been consciously dishonest for a political purpose; if not, then her leaders have been inconceivably incompetent. If she expected disasters to follow her mad monetary policy, then it was stupid in her to think that by such serious, self-inflicted wounds she could so excite compassion, as to bring about a reduction in the burden of reparations. The Allies, and the rest of the world, were not likely to be so simple-minded as to be thus deceived.

II

A distinction should be made between a financial and a monetary collapse. The former has to do with income and outgo in a fiscal sense; while the latter concerns the means of payment, the standard in which all prices, quotations of securities, wages, freights, rents and contracts are made. The latter, of course, must react on the former, and make all matters of value and

exchange variable, difficult and confusing. The immediate question in Germany has to do with the monetary fiasco. The errors which have brought the mark to practical worthlessness are based upon hoary old fallacies, always known to work distress.

The pivotal folly, of course, is the mental confusion between the fiscal and the monetary functions of the treasury: (1) On the one hand, the state by taxation or loan engages to provide the means for covering the normal budget of peace or the extraordinary expenditures of war; (2) on the other hand, the state by a duly considered monetary and credit system aims to provide an effective means by which goods of income and outgo can be priced in a stable standard and readily exchanged by forms of money, bills, notes and credit to the greater convenience of production and trade and payment of taxes. Germany has committed the one fatal error of disregarding all experience and borrowing for fiscal purposes through the issue of irredeemable paper money.

The plea of necessity is quite aside from the point. To create a forced loan by a demand debt is itself an acknowledgment of financial distress and immediately lowers the credit of the state. The display of financial incompetence, by which 7000 of the paper marks can now be bought for one dollar, can have no other effect than to so damage her credit as to make it practically impossible for her to float a foreign, if not also a domestic, loan. By hopelessly mixing up fiscal with monetary operations Germany through repeated issues of billions of paper every week has advertised to the world that she is unable to raise funds for fiscal purposes in legitimate ways. For any passable financial existence in the future Germany's policy must be founded on an unalterable determination to separate entirely her monetary from her fiscal dealings. Such are the principles to which her finances must sooner or later conform, whatever her political struggles.

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